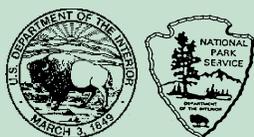


Federal Tax Incentives for Rehabilitating Historic Buildings



Meridian Manor, Washington, DC



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U.S. Department of the Interior, National Park Service, National Center for Cultural Resources,
Heritage Preservation Services Division, Technical Preservation Services, Washington, D.C.

Historic Preservation Tax Incentives Program

Now celebrating 25 years, the Historic Preservation Tax Incentives Program is one of the most successful revitalization programs ever created by the Federal Government. The program offers tax credits to owners who rehabilitate historic buildings in accordance with their historic character. Its results are evident in cities, towns, and rural areas throughout the country, where historic buildings—and often the communities surrounding them—have been given new life. The National Park Service administers the program in partnership with the State Historic Preservation Offices and the Internal Revenue Service.

Background

The Tax Reform Act of 1976 created the first Federal tax incentives for the preservation of historic buildings. It made historic preservation more competitive with new construction. The incentives contained in the law were modest—building owners were allowed to claim accelerated depreciation on rehabilitated buildings—but they made a difference immediately. Building owners throughout the country began to think more favorably of preserving historic buildings.

The law required the Secretary of the Interior to ensure that work done on a historic building for the tax incentives must preserve the building’s “historic character”. The Secretary of the Interior, in turn, charged the National Park Service (NPS) with the responsibility of reviewing and approving rehabilitation projects for the tax incentives.

Subsequent changes in the law in 1978, 1981, and 1986 made the modest benefits of the 1976 law much more attractive. Historic buildings can now compete with new construction more favorably than in the past. Under the current law, an owner who rehabilitates a historic building may qualify for a tax credit equal to 20% of the rehabilitation costs. Federal income tax credits lower the amount of Federal income taxes owed by individual and corporate taxpayers.

Benefits

The Federal Historic Preservation Tax Incentives Program has had enormous cultural, economic, and social effects. It enhances the environment and quality of life in communities. It leverages private investment in depressed neighborhoods, creates jobs, promotes community preservation, fosters heritage education, enhances state and local tax revenues, and increases property values.

Last 5 Years at a Glance

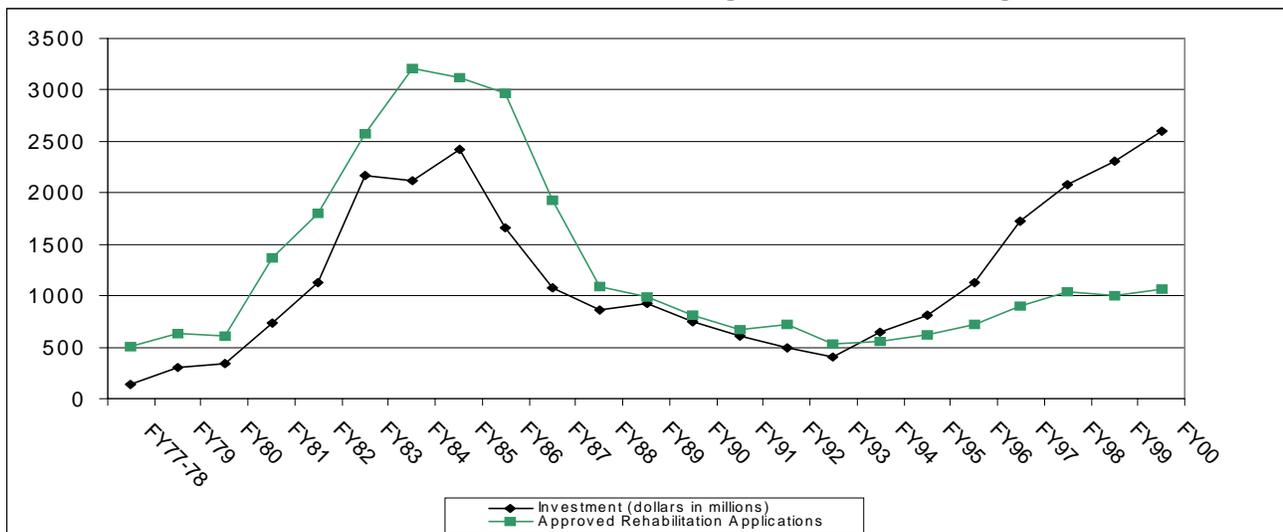
- ◆ 4,700 projects approved
- ◆ 194,721 jobs created
- ◆ \$4.76 billion in private investment leveraged
- ◆ 27,851 low and moderate income housing units created
- ◆ 44,055 housing units created or renovated overall

Cultural Benefits

Saves Buildings

◆ Within the last 5 years, 2,967 historic buildings have been rehabilitated. Many of them were vacant and deteriorating. The program has saved buildings of every size, style, type, and period: shotgun houses in Mississippi, Art Deco hotels in Miami, office towers in Chicago, rowhouses in Baltimore, warehouses in St. Louis, bungalows in Los Angeles, miners’ cottages in Colorado, foursquares in Iowa, and tens of thousands of others throughout the country.

Federal Tax Incentives For Rehabilitating Historic Buildings since 1976



◆1.15 million historic buildings are listed in or contribute to historic districts in the National Register of Historic Places, with an average of 30,000 buildings being added annually. 20% of these historic buildings qualify as income producing and most are in need of rehabilitation.

Promotes Historic Preservation

◆To be approved, each project must meet the Secretary of the Interior’s Standards for Rehabilitation, the central document of American historic preservation philosophy and practice.

Improves Building Rehabilitation Practices

◆Over the years, the NPS and the SHPOs have held seminars and conferences on the program. These efforts have borne fruit: the Preservation Tax Incentives quickly led to a reduction in the use of abrasive cleaning methods on historic buildings (most infamously, sandblasting). These same outreach efforts also brought about major improvements in the quality of new windows available for historic preservation projects.

◆The program has shown how to accommodate lead paint and asbestos removal, achieve fire protection and meet new laws such as the American with Disabilities Act, while saving the basic historic character of buildings undergoing rehabilitation

Economic Benefits

Channels Investment to Neglected Resources

◆Projects reviewed and approved by the National Park Service total over \$4.76 billion in the last 5 years. Much of this investment has been in older urban residential neighborhoods and commercial districts.

Creates Jobs

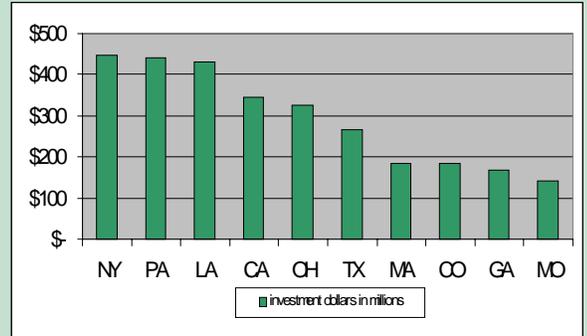
◆Each project creates an average of 45 new jobs (5 year figure). The program has also helped foster the preservation of traditional building skills.

Other Benefits

◆Projects undertaken for the Historic Preservation Tax Incentives Program also increase

Top Ten States Ranked by Certified Expenses Over 5-Year Span

The Historic Preservation Tax Credit Program operates in all 50 States, the District of Columbia, Puerto Rico and several territories. Activity in the top ten States is shown in the chart below. Ranking the States by the total amount of investment certified over the past five years finds New York in first place with \$449,163,595 divided among 105 projects. The State of Pennsylvania follows with 217 projects totaling \$441,686,218 in private investment. Louisiana is third with \$432,669,555 divided among 169 projects. The State of California ranks fourth with a total investment of \$344,805,503 divided among 56 projects. Ohio follows with 167 projects totaling \$325,354,656 . Texas ranks sixth with \$268,121,054 divided among 104 projects. Massachusetts had 70 projects totaling \$185,346,347 in private investment. The state of Colorado follows with \$183,041,373 and 59 projects. Georgia ranks ninth with a total investment of \$167,250,932 for 216 projects. Missouri follows with 104 projects and an investment of \$142,062,828..



property values and enhance State and local tax revenues.

Social Benefits

Makes Communities More Livable

◆Rehabilitating historic buildings recycles energy and materials that went into building the structures in the first place. It places people, commerce, and services within the existing infrastructure, thereby recapturing past investments—the “social capital”—in existing historic buildings and districts.

◆The rehabilitation of deteriorating local landmarks often produces powerful psychological effects, giving communities new hope for the future while saving remnants of the past.

◆Creates Affordable Housing. In the past 5 years, 27,851 low and moderate income housing units were created.

Serves as a Model Partnership Program

◆The program is a model of cooperation between levels of government and the private sector. NPS promotes the program nationwide, and is responsible for project approval and overall program administration. The private sector provides the buildings and the capital. The SHPOs promote the program within their States, serve as primary contacts for property owners, give applicants professional guidance and technical information, and make on-site visits. The IRS publishes regulations governing qualifying expenses, answers public inquiries about financial aspects of the program, and ensures that only parties eligible for the tax credits utilize them.

Find Out More

Information on the tax credit program and cost-effective methods of repairing and maintaining historic buildings are available from the National Park Service and from your State Historic Preservation Office. The 1999 catalog of publications entitled *Caring for the Past*, provides a current listing of free and for sale publications currently available from the National Park Service and the Government Printing Office. The more than 100 publications are the most comprehensive source of information available on the preservation and rehabilitation of historic buildings.

Copies of the publications catalog can be obtained by writing to Heritage Preservation Services, National Park Service, NC330, 1849 C Street, N.W., Washington, DC 20240 or by calling (202) 343-9583. The National Park Service's "Links to the Past" World Wide Web site <<http://www.cr.nps.gov>> also provides helpful information about preserving historic buildings.

Internet Enhances Service to Program Users and Adds New Web Pages

The National Park Service continues to enhance customer service to program users with a number of new web pages added to the Technical Preservation Services website this past year. **The Good Guides**, a "one-stop shopping" web site was expanded and includes essential information about caring for historic buildings, from choosing an appropriate treatment to actually "doing" the work in a way that meets the historic preservation standards. (<http://www2.cr.nps.gov/tps/care>). The **Historic Preservation Certification Application forms** can be found at <<http://www2.cr.nps.gov/tps/tax/hpappl/>> and are available there for downloading in MSWORD97. **The Secretary of the Interior's Standards for Rehabilitation with Illustrated Guidelines for Rehabilitating Historic Buildings** are available online at <<http://www2.cr.nps.gov/tps/tax/rhb/>>. Our web site continues with the **IRS Connection**, begun last year, which provides the latest information on IRS regulations pertaining to the Preservation Tax Incentives Program (<http://www2.cr.nps.gov/tps/tax/IRS.htm>). All of the information on this site is supplied by the IRS representatives who work with the Tax Incentives Program. The site contains frequently asked questions with answers and various articles on important tax incentives issues. **The Walk Through: How to "Read" a Historic Building** is a new distance learning program by TPS which provides guidance on how to identify the historic character of a building (<http://www2.cr.nps.gov/tps/character/index.htm>).

For Additional Information:

Please contact Kaaren Staveteig, Technical Preservation Services, Heritage Preservation Services Division, National Park Service, NC200, 1849 C Street, N.W., Washington, DC 20240, (202) 343-9585. Information on Federal Tax Incentives for Rehabilitating Historic Buildings is available on the National Park Service's Technical Preservation Services web site at <<http://www.cr.nps.gov/tps/tps.htm>>.

The National Park Service cares for special places saved by the American people so that all may experience our heritage.

Affordable Housing Units Created Set Record Number



In fiscal year 2000, the use of the Historic preservation tax credit program to create affordable housing achieved the highest number of units since the inception of the program in 1976. Taking advantage of the special architectural character of historic buildings, affordable housing has been created using this program that fosters community pride and a quality of life often not found in new construction. Utilizing the Federal historic rehabilitation tax credit in conjunction with Federal low-income housing credits, historic buildings are being preserved and affordable housing is being created at the same time.

The Carnegie Place Apartments. Originally the Sioux City Free Public Library constructed in 1912, this long vacant building was rehabilitated into 20 units of affordable housing. Particular care was taken to maintaining the integrity of the building.

In the past 5 years, 27,851 low and moderate income housing units were created, constituting 44% of the total number of housing units completed by the historic preservation tax credit program within that same time period. State Historic Preservation Offices and local governments are working with State housing agencies to encourage greater allocation of low income housing funds for rehabilitation rather than new construction of affordable housing.

In an effort to promote the rehabilitation of historic buildings for affordable housing, the National Park Service is publishing a series of case studies. Copies are available from the Heritage Preservation Services, National Park Service, NC330, 1849 C Street, N.W., Washington, DC 20240. These case studies can also be found on the Affordable Housing Initiative web site at www2.cr.nps.gov/tps.